

CILCO

00-0494

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NaQ

**PREPARED REBUTTAL TESTIMONY OF
NICHOLAS T. SHEA
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 00-0494**

- 1 Q1: Please state your name and business address.
- 2 A1: My name is Nicholas T. Shea, and my business address is 300 Liberty St., Peoria, IL 61602.
- 3 Q2: Are you the same Nicholas T. Shea that previously submitted testimony in this proceeding?
- 4 A2: Yes, I am.
- 5 Q3: What is the purpose of your rebuttal testimony?
- 6 A3: I am responding to direct testimonies of Staff witnesses, Dr. Schlaf and Mr. Lazare, in which
- 7 they recommended changes to CILCO's delivery service tariffs and changes applicable to all
- 8 utility delivery service tariffs.
- 9 Q4: Do you agree with Dr. Schlaf's recommendation that a customer taking default service, now
- 10 called Interim Supply Service (ISS), should be allowed to remain on ISS for a minimum of two
- 11 billing cycles rather than the 45 days specified in CILCO's delivery service tariffs?
- 12 A4: No, I do not. The Public Utilities Act (Act), specifies that utilities must continue to offer existing
- 13 bundled services (Section 16-103) and delivery services (Section 16-104). Delivery service, as
- 14 defined in Section 16-102, does not include power and energy, and there is no reference to
- 15 interim supply or default type of service in the Act. Therefore, ISS is a generation service that a
- 16 utility is not required to offer but which may be voluntarily offered by a utility. The Commission
- 17 reached the same general conclusion in CILCO's delivery service proceeding that "... the

18 provisioning of default service is not required by the Act" (Final Order, ICC Docket Nos.
19 99-0119 and 99-0131, cons., p. 79)

20 Q5: Does CILCO support a voluntary interim supply or default type of service?

21 A5: Yes. The Company has provisions for ISS within its currently-effective tariffs that are on file
22 with the Commission. At this stage of deregulation, the Company supports the voluntary
23 offering of a market-based service that would provide short-term power and energy to delivery
24 service customers should they lose their supply. However, ISS is not a delivery service, and the
25 initiating order in this docket was directed at an investigation of the need for uniform delivery
26 services, not generation services.

27 Q6: What length of time that can a customer remain on the Company's ISS under the Company
28 tariffs currently in effect?

29 A6: The provisions for ISS, found in CILCO's Rate 35, Sheets 92, 93 and 94, specify that the
30 Company will supply a customer ISS service on a daily basis for up to 45 days, subject to the
31 continued availability of power and energy.

32 Q7: Did CILCO propose the 45-day period specified in its ISS tariff?

33 A7: No, CILCO proposed a shorter term. The Commission, in CILCO's delivery service case,
34 Docket Nos. 99-0119 and 99-0131, cons., approved the 45 days, which CILCO accepted.
35 In that case the Commission determined ". . . that the proper default service period should be
36 forty-five days. Such a period will accommodate monthly meter read dates and DASR
37 submittal deadlines."

38 Q8: Staff has recommended that "CILCO change the 45-day requirement [for ISS] to two billing

39 cycles.” Could Staff’s two billing cycles’ recommendation result in customer confusion?

40 A8: Yes. Staff’s two-billing cycle recommendation, might lead a customer to conclude he or she
41 would have approximately 60 days of ISS. But consider a customer with a meter read date on
42 the 15th of the month who loses its supplier and begins ISS on the 14th (i.e., one day prior to the
43 scheduled meter read date). In this example, the customer would be allowed to remain on ISS
44 for one day before the end of the first billing period and approximately 30 days before the end
45 of the second billing period. This would roughly equate to a total of 31 days, which is two
46 weeks less than the 45 days under CILCO’s current tariff. This example assumes Staff’s
47 recommendation is two-billing cycles not two full billing cycles. Under two full billing cycles, the
48 customer would have approximately 60 to 90 days of ISS service but the customer may not be
49 sure of the exact ISS time period. Additional confusion may develop if the RES is billing the
50 customer on a different cycle than CILCO.

51 Q9: What changes, if any, is CILCO proposing to make to ISS?

52 A9: CILCO is willing to change its ISS term provision to provide for a maximum 60-day ISS period
53 for all customers.

54 Q10: Do you agree with Staff’s recommendation that CILCO’s tariffs should be changed to eliminate
55 the provision related to CILCO’s ability to deny ISS if such service would jeopardize reliability?

56 A10: Setting aside the facts that utilities are not required to offer ISS and that ISS is not a delivery
57 service, Staff’s recommendation could require CILCO, in certain situations, to jeopardize
58 service to 198,000 customers for the sake of that one customer that lost its power and energy
59 through no fault of the 198,000 customers or the utility. CILCO definitely strongly disagrees

60 with this concept, and I am reasonably certain that the 198,000 customers, whose reliability is at
61 jeopardy, would not agree with Staff's recommendation. As part of CILCO's control area
62 responsibility and under exceptional circumstances, ISS should be denied if provision of that
63 service would jeopardize reliable service to other customers. From a practical standpoint, this
64 ISS tariff provision would only apply to very large industrial customers, because the
65 unexpected return of the largest electric loads places the greatest risk upon system reliability. It
66 is unlikely that the utility would need, or be able, to disconnect a large number of smaller
67 customer who simultaneously lost their source of supply. Following Staff's recommendation
68 would not be following good utility practice, and should be rejected.

69 Q11: Do you concur with Dr. Schlaf's recommendation that the provision allowing CILCO to
70 disconnect a customer after the initial ISS term has expired should be deleted and be replaced
71 with a provision that would place the customer on bundled services?

72 A11: No. CILCO's tariff (Sheet No. 94) merely states that in the event the bundled tariffed service
73 is declared competitive, the Company may place the ISS customer, at the end of the ISS
74 period, on another ISS period or disconnect the customer. If bundled service is competitive,
75 there is no bundled tariffed service to offer the customer; therefore, Staff's recommendation
76 should be rejected.

77 Q12: Please comment on Dr. Schlaf's recommendation that all tariffs should state the utility will
78 promptly notify customers that they are being placed on ISS, and the tariffs should identify the
79 time frame in which notification will occur.

80 A12: I agree that customers should be notified promptly, but from a practical standpoint it is virtually

81 impossible to identify a specific notification time frame that could apply to every customer in
82 every possible situation. If the ISS customer is a single large industrial customer, the notification
83 could be accomplished within hours. However, if a RES with 100 small commercial accounts
84 defaults, the notification will take longer because of the number of customers that must be
85 notified. Typically, these smaller customers are harder to notify because they may not be 24-
86 hour, 7-days-a-week operations. As it relates to switching a customer from ISS to delivery
87 service, CILCO's current tariff (Sheet 94) states that CILCO "... will switch the customer as
88 soon as possible after receiving notice from the new retail electric supplier." CILCO's tariffs
89 provide for "notification to all customers" (Sheet 93) placed on ISS. CILCO agrees to add the
90 word "promptly" to that section of the tariff, but finds it impossible to state a specific time frame
91 by which every customer will be notified after being placed on ISS.

92 Q13: Dr. Schlaf recommends CILCO change its tariffs and allow customers to return to bundled
93 service prior to the end of the initial 12-month period. Do you agree with this conclusion?

94 A13: No. The initial 12-month term period allows the utility to plan its generation requirements
95 thereby reducing situations that could impact system reliability. The 12-month term period for
96 delivery service is consistent with CILCO's current bundled tariff terms and conditions that
97 limits customers switching rates to once during a 12-month period. Term periods are a
98 common business practice and may be found and used in such every day activities as cell phone
99 service contracts, car leasing, Internet access services, and apartment rentals. In CILCO's
100 delivery service case, Docket Nos. 99-0119 and 99-0131, cons., CILCO proposed to require

all delivery services customers to remain on delivery services for up to 24 months. In response, the Staff witness stated that: "it would be reasonable for CILCO to impose a minimum term requirement for return customers, a more appropriate minimum term would be 12 months." Staff Ex CIL-EPS.Dir. (Page 9). CILCO's 12-month term requirement is a reasonable requirement and should not be changed.

Q14: On page 19 of his direct testimony (Staff Exhibit 1) regarding single billing, Dr. Schlaf states Staff's position is that Section 16-118(b) refers to the payment of charges for the provision of delivery service only. Do you agree with this opinion?

A14: No. Section 16-118(b) states that "...partial payments made by retail customers are to be credited first to the electric utility's tariffed services" Tariffed service as defined in Section 16-102 " . . . means services provided to retail customers by an electric utility as defined by its rates on file with the Commission . . ." Bundled rates are provided to retail customers and bundled rates are contained in tariffs on file with the Commission. Staff did not provide any support for their conclusion and a layman's plain reading of Sections 16-118(b) and 16-102 does not support Staff's position.

Staff's interpretation of single billing effectively means "multiple bills." That is, Staff's reasoning could result in a CILCO combination customer receiving up to three bills; one for gas (assuming a PGA customer), a second for prior bundled service, and a third from the RES. CILCO's customer handling and billing processing costs for that customer could more than triple. Providing separate billing for pre-existing bundled electric service would create an annoyance

121 for customers and defeat the purpose of convenience to the customer which the Customer
122 Choice Law intended.

123 Q15: If the Commission adopts Dr. Schlaf's interpretation that RESs are not required to show billings
124 for bundled service on their single bills, should CILCO's SBO credit be revised?

125 A15: Yes, the credit for single billing that currently appears in CILCO's tariff assumes that any past
126 due amounts would be passed through to the billing party. The Company would need to revisit
127 the level of the credits to determine whether they remain appropriate and what changes would
128 need to be made to the billing system.

129 Q16: Staff witness Lazare recommended a table of contents be added to delivery service tariffs and
130 current delivery service tariffs should be "cut and pasted" into a predetermined outline format.
131 Do you agree with his recommendations?

132 A16: The Company would be willing to accept the general concept of a standard table of contents
133 similar in nature to Staff's proposal. That is, CILCO is willing to rearrange its tariffs into the
134 order contained in a predetermined outline. This acceptance or willingness is based on the
135 assumption that utilities would take their current delivery service tariffs and "cut and paste" the
136 provisions into the order appearing in the outline and that no substantial changes would be made
137 to existing provisions or tariff wording.

138 Q17: Does CILCO support the use of a detailed uniform tariff and wording?

139 A17: CILCO opposes a requirement to use uniform detailed tariff provisions and wording.

140 Q18: Does CILCO have any other comments about recommendations or positions taken by Staff or

141 other parties?

142 A18: No, but the lack of specific comments on an issue should not be construed as support for a
143 position taken in any party's direct testimony.

144 Q19: Does this conclude your prepared rebuttal testimony?

145 A19: Yes.